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DEPARTMENT STORE SALES AS A LOCAL INDEX OF BUSINESS ACTIVITY

STRANGE as it may seem, national disposable income at the present time is slightly higher than it was in the comparable period of a year ago. While this is true in dollars, it is not entirely true from the standpoint of average purchasing power per capita. The cost of living has continued to advance fast enough to more than offset the increase in disposable income.

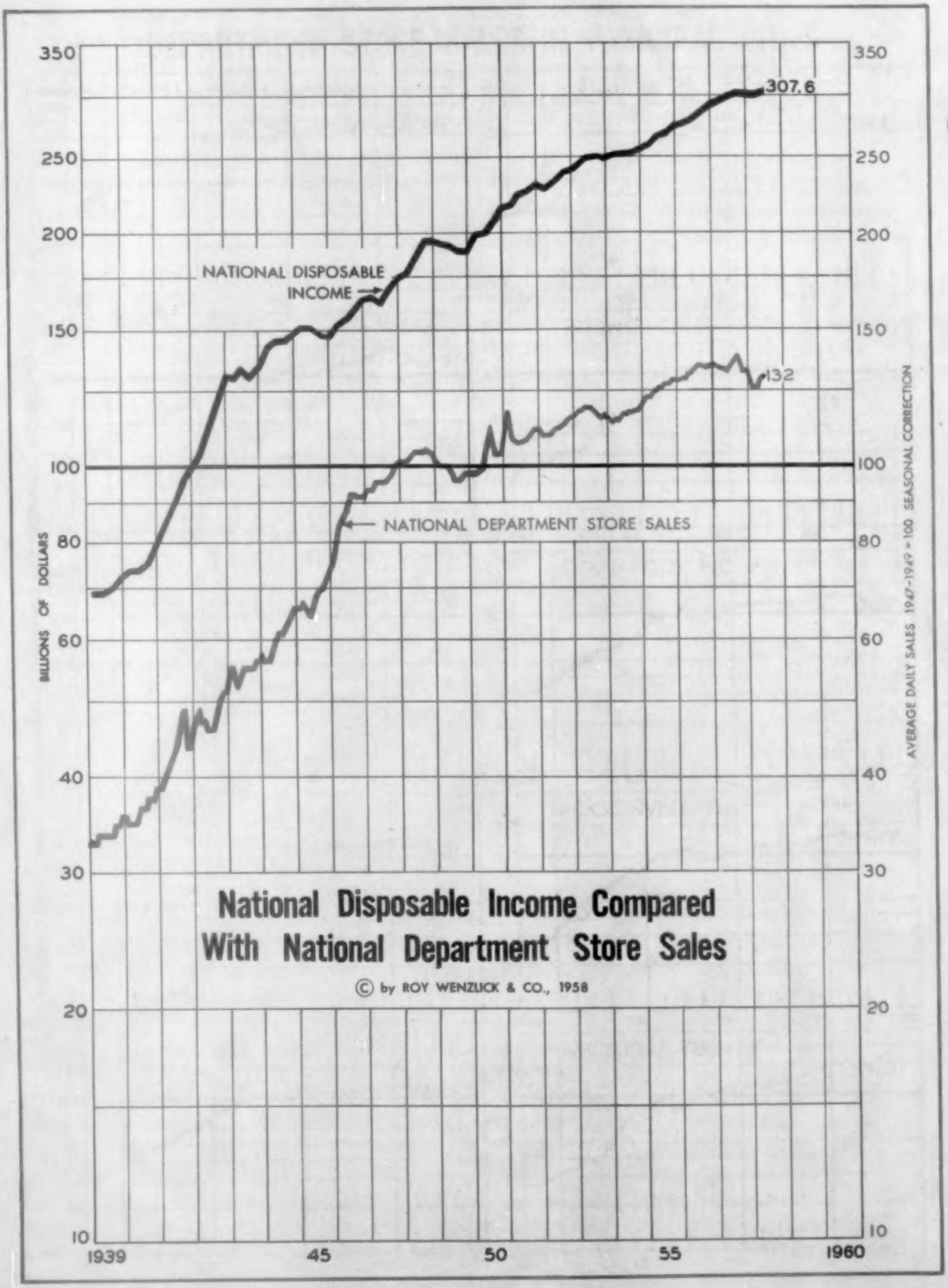
It has been assumed many times by economists that over a period of years, department store sales in the United States would vary in close relationship with changes in national disposable income. During the past 13 years national disposable income, as shown on the chart on page 328, has more than doubled, going from less than $150 billion a year to more than $307 billion, an increase of 106%. National department store sales, on the other hand, have gone from an index of approximately 75 to 132, an increase of only 76%. During the past 5 years, national disposable income has increased by 23%, while department store sales have increased by 8%.

It should be kept in mind that all of these figures are based on current dollars, and that a part of the increase in both national disposable income and in department store sales is due to the fact that the purchasing power of the dollar has decreased. It now takes more dollars to accomplish the same work that a smaller number of dollars formerly did.

On the chart on page 328 it will be noticed that during the war period on the early part of this chart, national disposable income increased more rapidly than department store sales. This was due to the fact that many items were not available, particularly in the durable goods field, and, accordingly, during this period the savings of the public increased.

When durable goods again became available after the end of the war, department store sales increased faster than national disposable income while a part of these savings were being spent.

In the more recent past, however, it is probably true that a portion of the lag in department store sales was due to the fact that the general public has changed its spending patterns. With greater leisure available, a larger percentage of the family income has been spent on nondepartment store items than was


350
250
200
150
100
80
60
40
30
20
10
BILLIONS OF DOLLARS
AVERAGE DAILY SALES 1947-1949 = 100 SEASONAL CORRECTION
307.6
132
NATIONAL DISPOSABLE INCOME
NATIONAL DEPARTMENT STORE SALES
1939
45
50
55
1960
National Disposable Income Compared With National Department Store Sales
© by ROY WENZLICK & CO., 1958

spent in the past. A part of this money has probably been spent on automobiles, tires, and gasoline, on longer vacations, and on higher education. It might also be found that with the modern shopping center, many apparel stores, with adequate parking, are now cutting into some of the department store volume.

While these changes in buying habits make national disposable income a less reliable indicator of what department store sales should be, these sales in the local communities are still probably the best barometers available of the economic well-being of the communities in question.

The city-by-city charts showing department store sales in 80 principal American cities serve as good barometers of business conditions in these cities. These charts should prove of value to many not directly interested in department store sales. They form a fairly good localized index of the fluctuations in consumer buying. If the trend is up, the chances are that business in that area is in fairly good condition. On the other hand, if the line is dropping in any particular area, the probability is that many organizations doing business in that community will find the volume unsatisfactory for the capacity they have developed. This series of charts is based on the average experience of 1947-49 = 100. In 9 cities, department store sales at the present time are running below this base period. These cities and the percentages below the base period sales are shown in the table below.

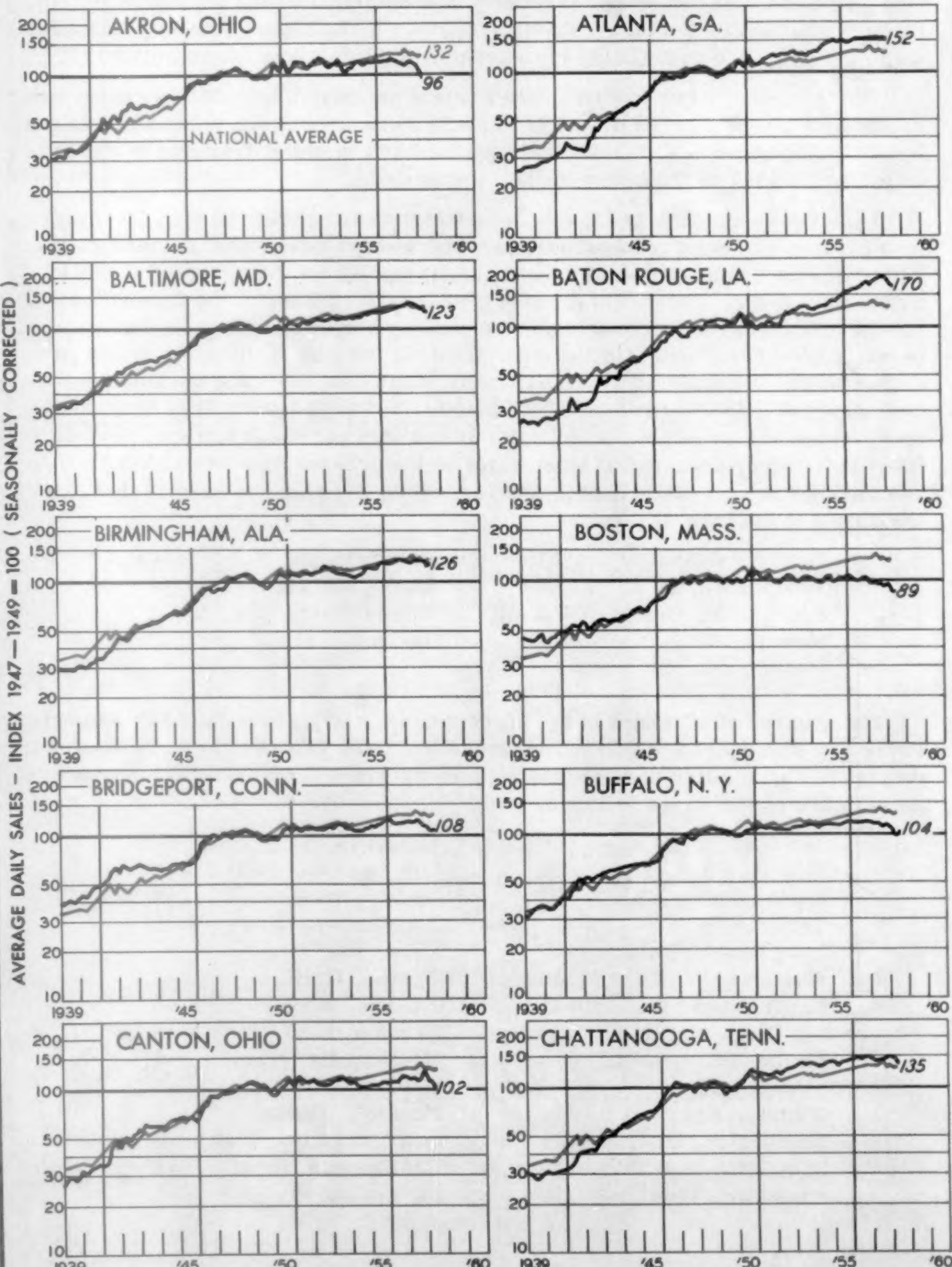
Boston, Mass.	-11%	New York, N. Y.	-6%
Providence, R. I.	-10	Akron, Ohio	-4
Springfield, Ohio	-10	Wilkes-Barre, Pa.	-4
Newark, N. J.	-9	Oakland, Calif.	-3
Peoria, Ill.	-7		

The average of all cities at the present time is 32% above the 1947-49 base. There are 28 cities in which the increase has been greater than the national average. These cities and the percentages by which each exceeds the national average are shown in the following table.

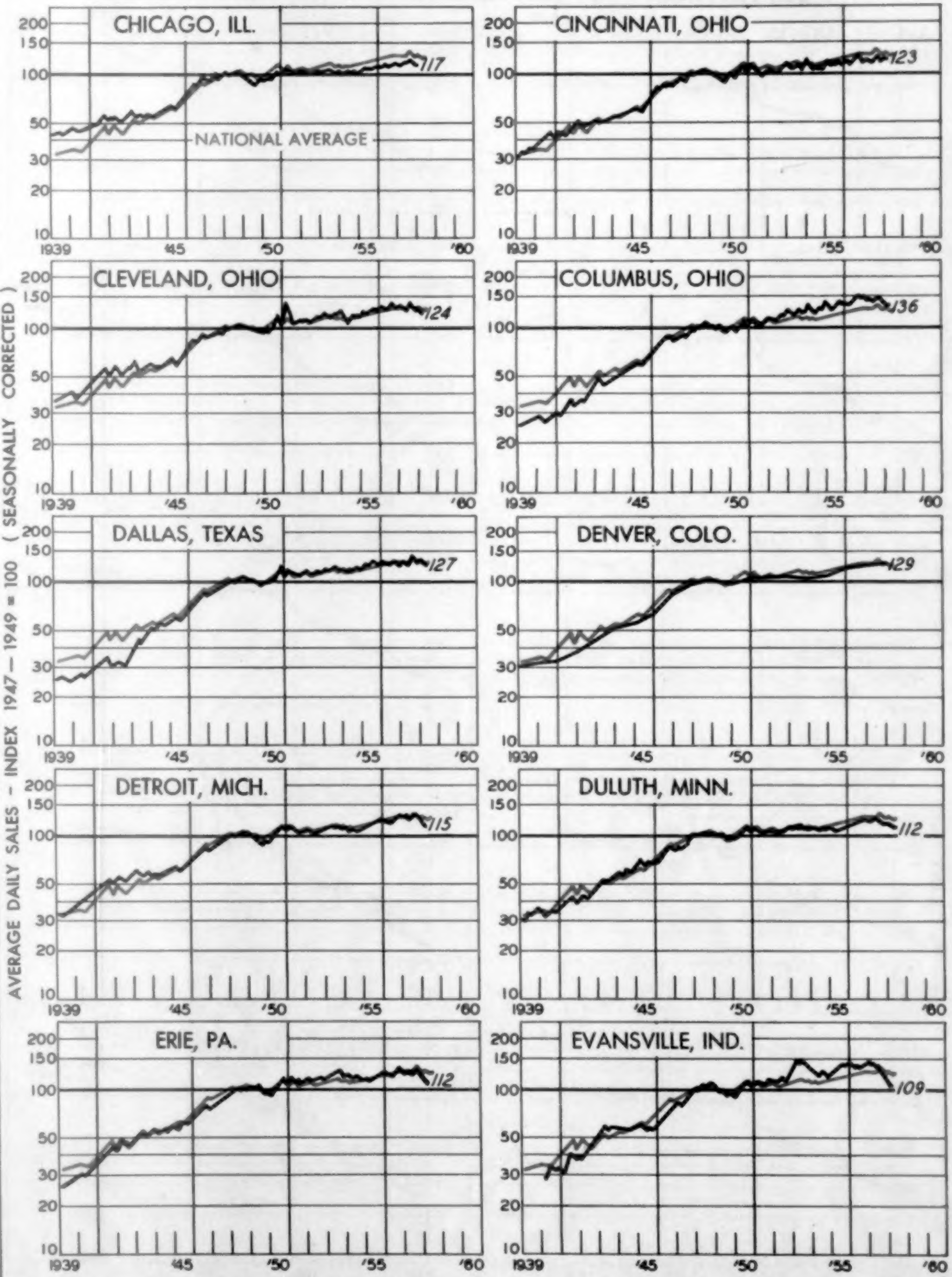
San Jose, Calif.	+88%	Knoxville, Tenn.	+8%
Miami, Fla.	+82	Los Angeles, Calif.	+8
Sacramento, Calif.	+33	Seattle, Wash.	+8
Tampa, Fla.	+31	Youngstown, Ohio	+8
Long Beach, Calif.	+30	York, Pa.	+7
Wheeling, W. Va.	+30	Fresno, Calif.	+6
Baton Rouge, La.	+29	Tacoma, Wash.	+5
San Diego, Calif.	+20	Trenton, N. J.	+5
Macon, Ga.	+16	Minneapolis, Minn.	+4
Atlanta, Ga.	+15	Columbus, Ohio	+3
Wichita, Kan.	+14	Houston, Texas	+3
Washington, D. C.	+12	Salt Lake City, Utah	+3
Louisville, Ky.	+10	Chattanooga, Tenn.	+2
Nashville, Tenn.	+10	St. Louis, Mo.	+1

(cont. on page 339)

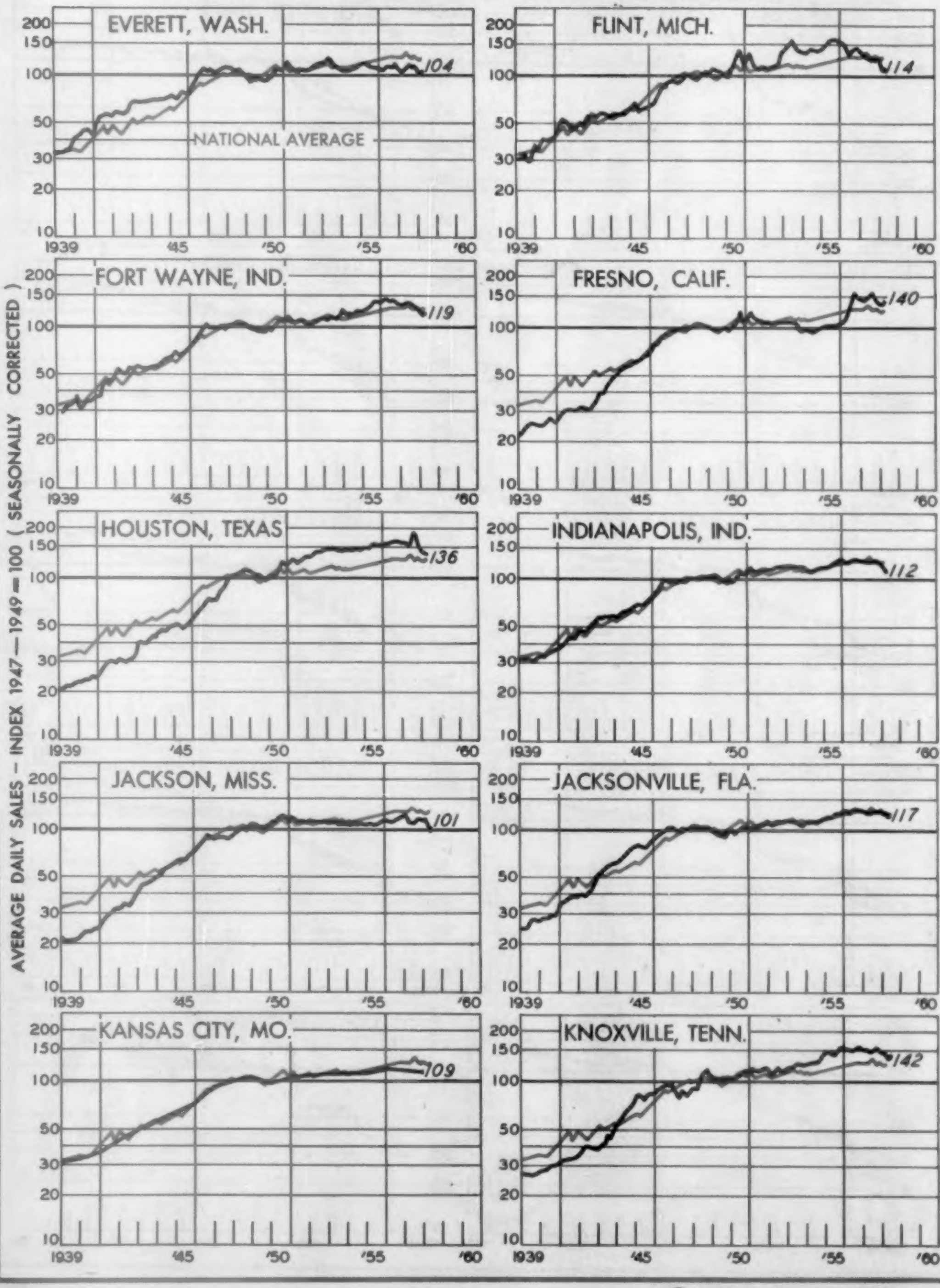
DEPARTMENT STORE SALES IN PRINCIPAL CITIES



DEPARTMENT STORE SALES IN PRINCIPAL CITIES



DEPARTMENT STORE SALES IN PRINCIPAL CITIES



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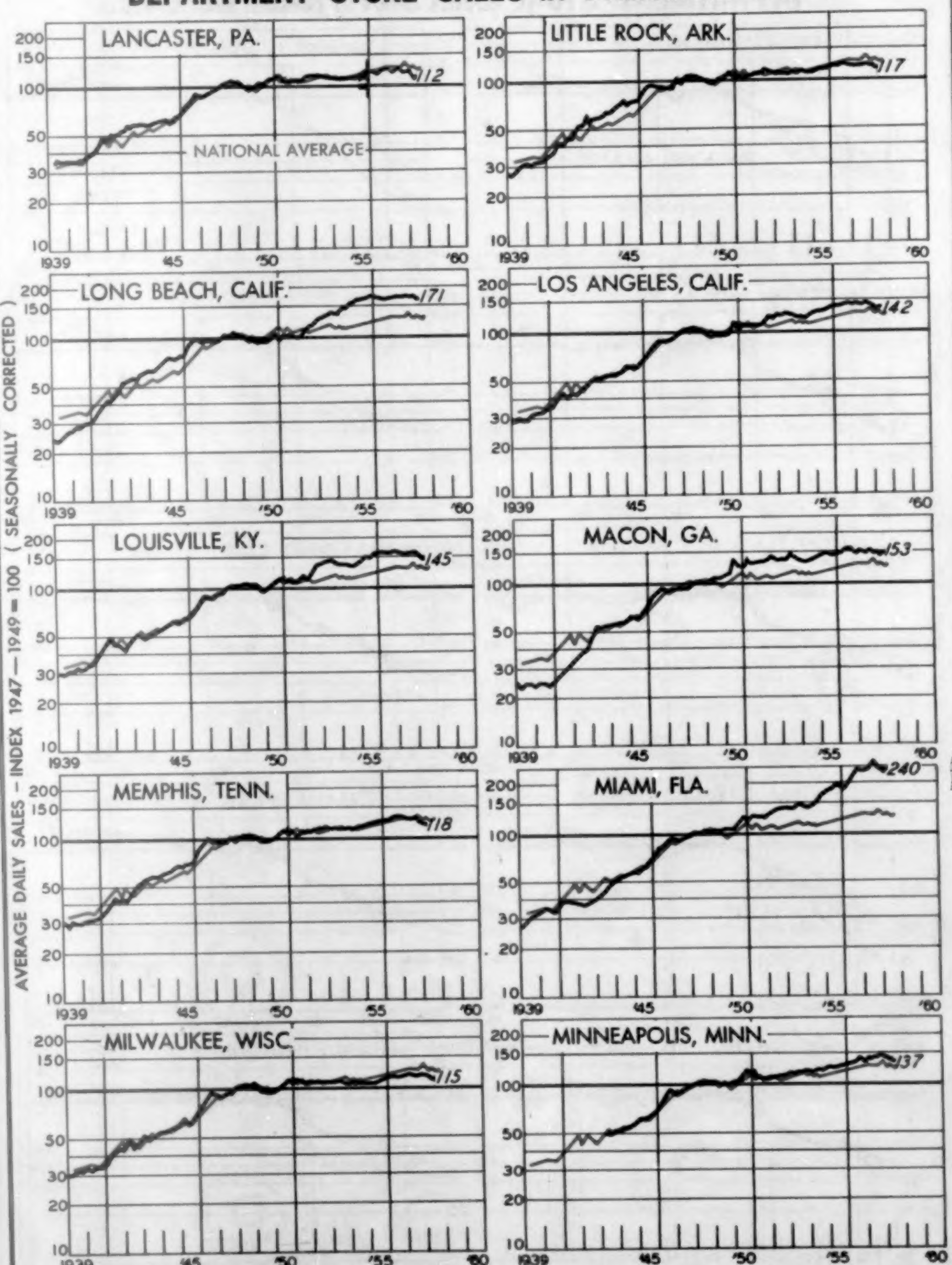

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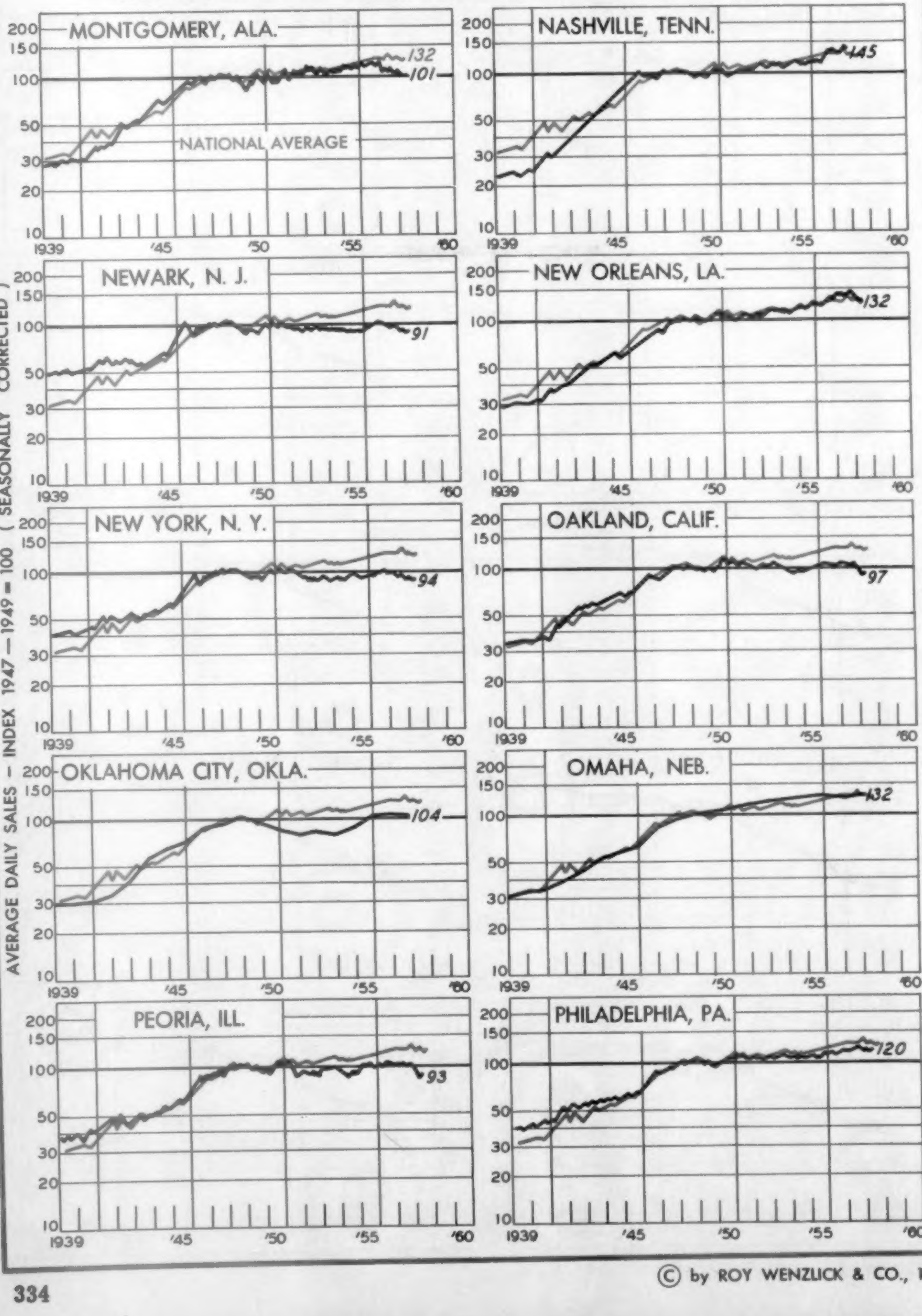
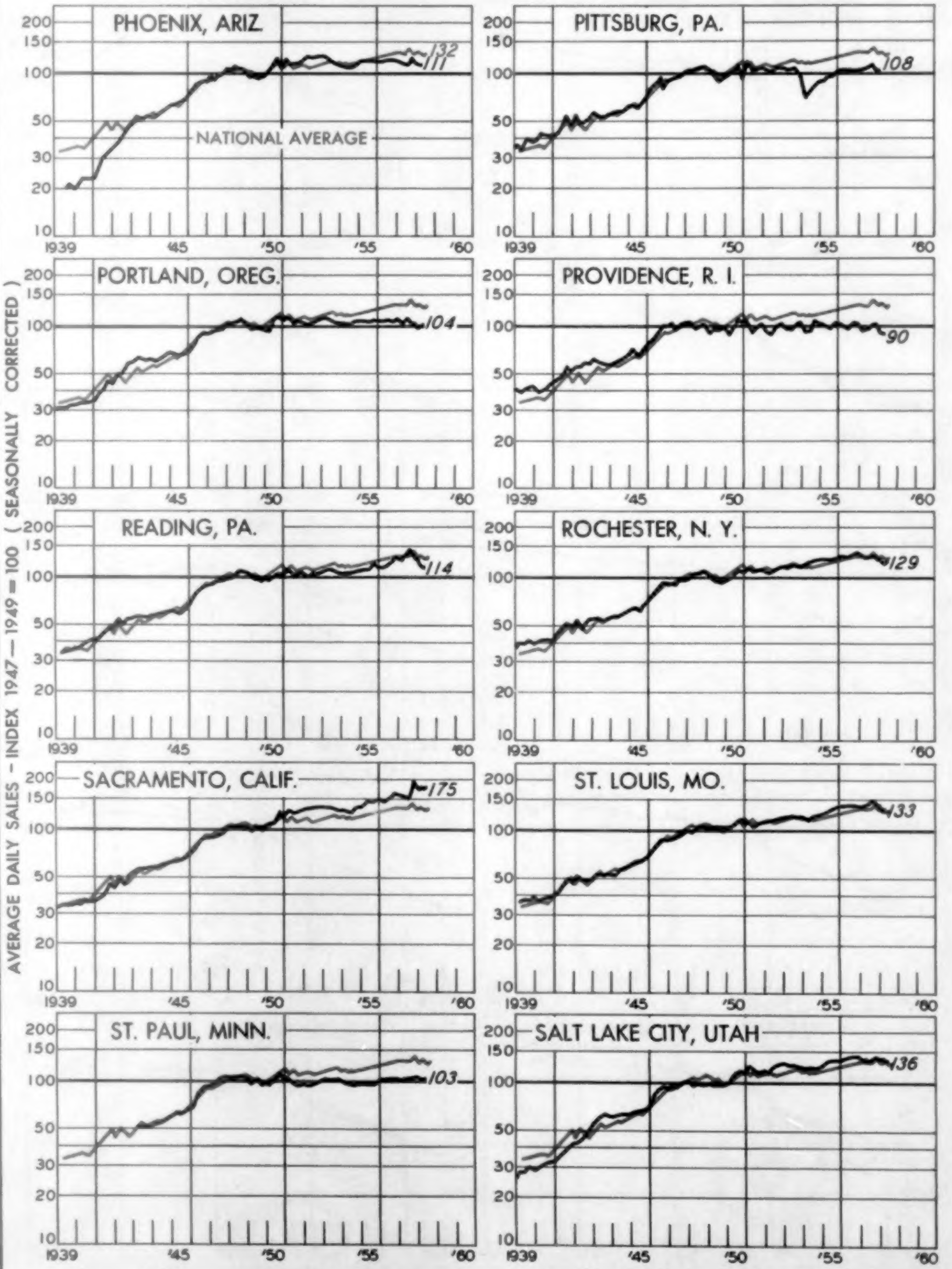
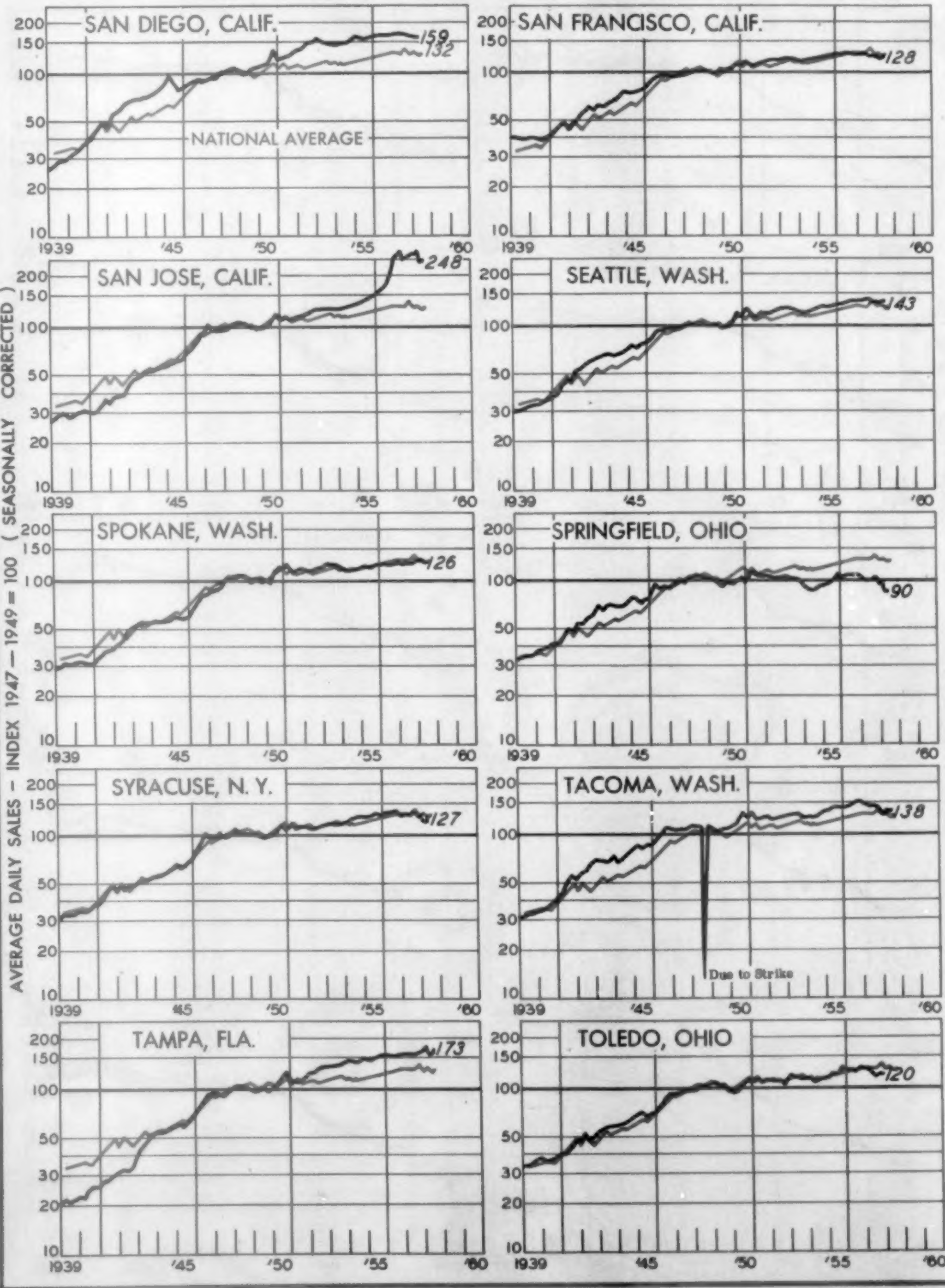


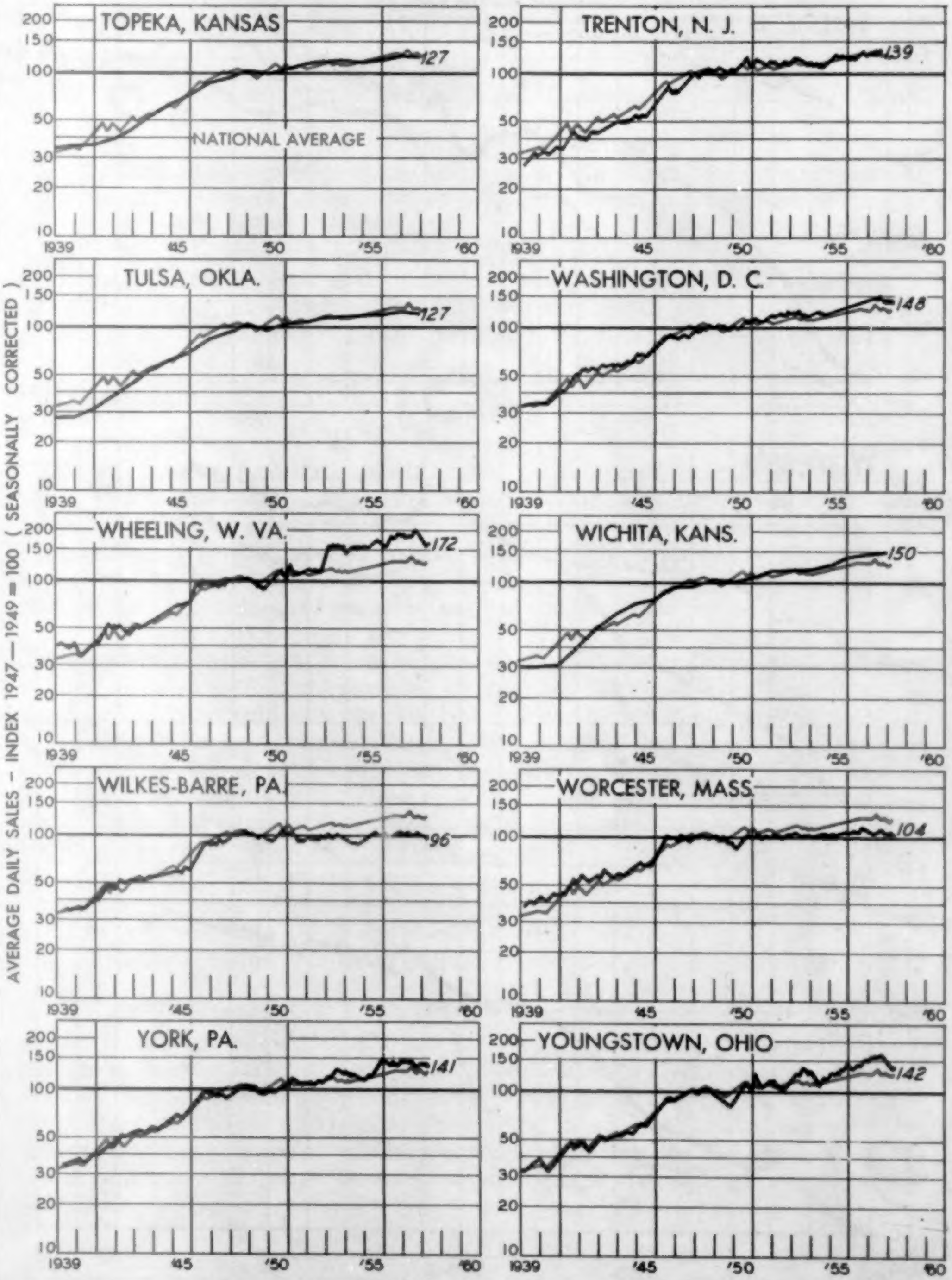
DEPARTMENT STORE SALES IN PRINCIPAL CITIES



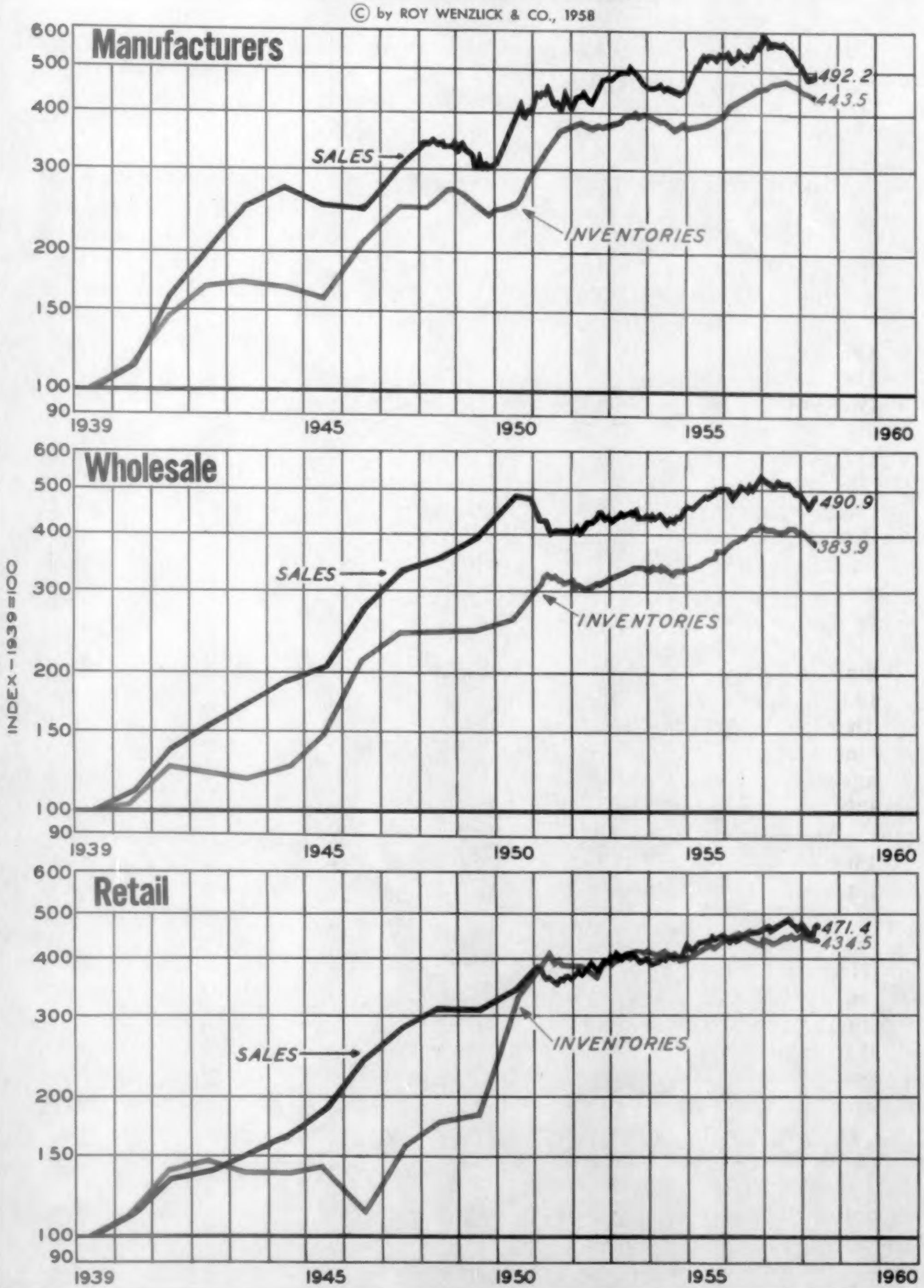
DEPARTMENT STORE SALES IN PRINCIPAL CITIES



DEPARTMENT STORE SALES IN PRINCIPAL CITIES



INVENTORIES AND SALES



DEPARTMENT STORE SALES AS A LOCAL INDEX OF BUSINESS ACTIVITY
(cont. from page 329)

The tremendous increases above the base period in some of these cities, such as Miami, are due, of course, to the fact that they are rapidly growing cities, and that the increase in population is far greater than that in the average city since 1947-49.

It is easy on these charts to see the cities in trouble, as these are the ones in which local department store sales, shown in blue, have dropped more rapidly than the national average, shown in red. As a general thing, the more matured cities in the East and Northeast have suffered the most, while a number of cities, particularly some of those in the South and West, where industrial development is relatively new, have shown a trend far better than many other sections of the country. While these figures are corrected for seasonal fluctuations, they are not corrected for changes in population. This naturally results in a trend in rapidly growing cities advancing faster than the trend of all cities.

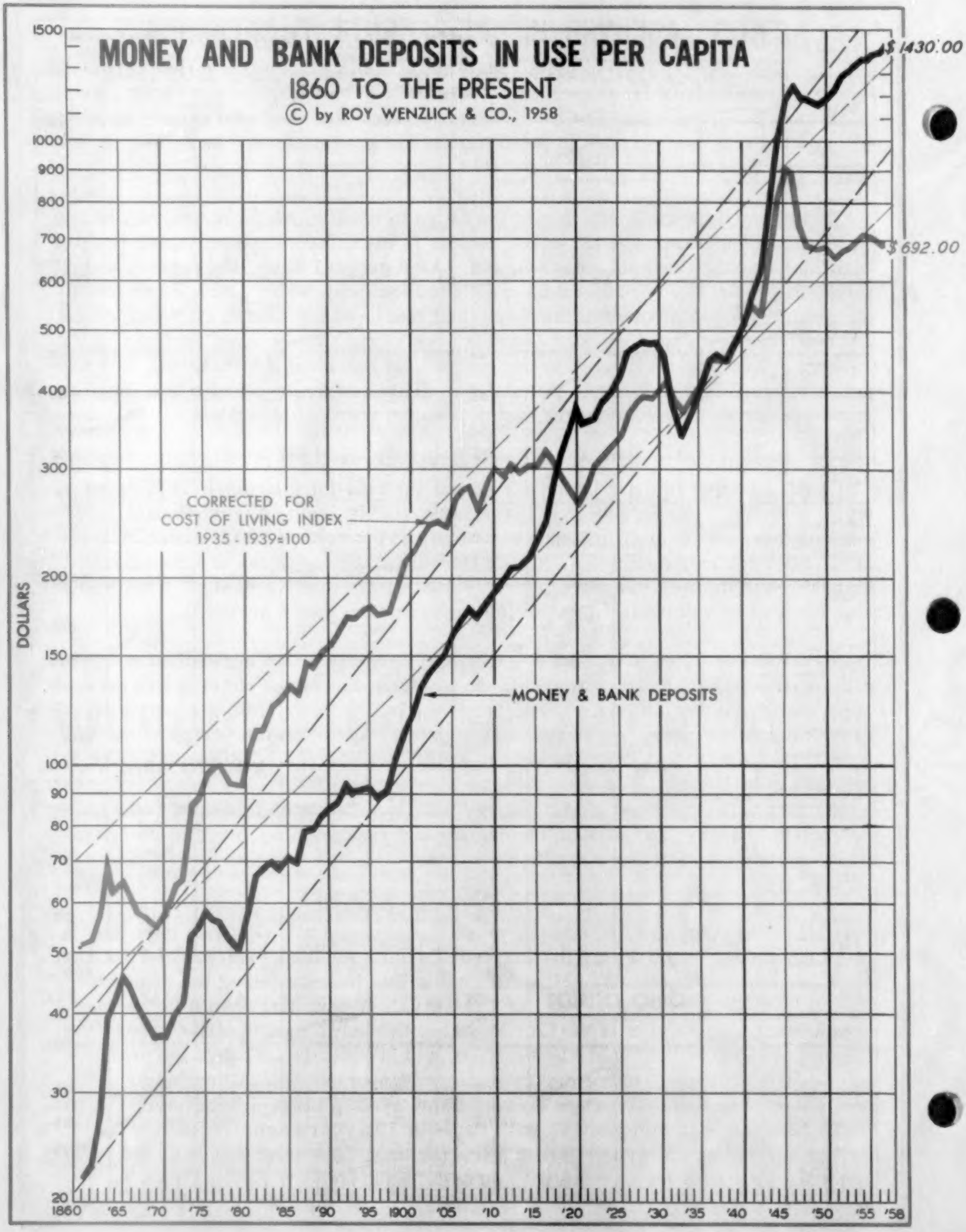
INVENTORIES AND SALES

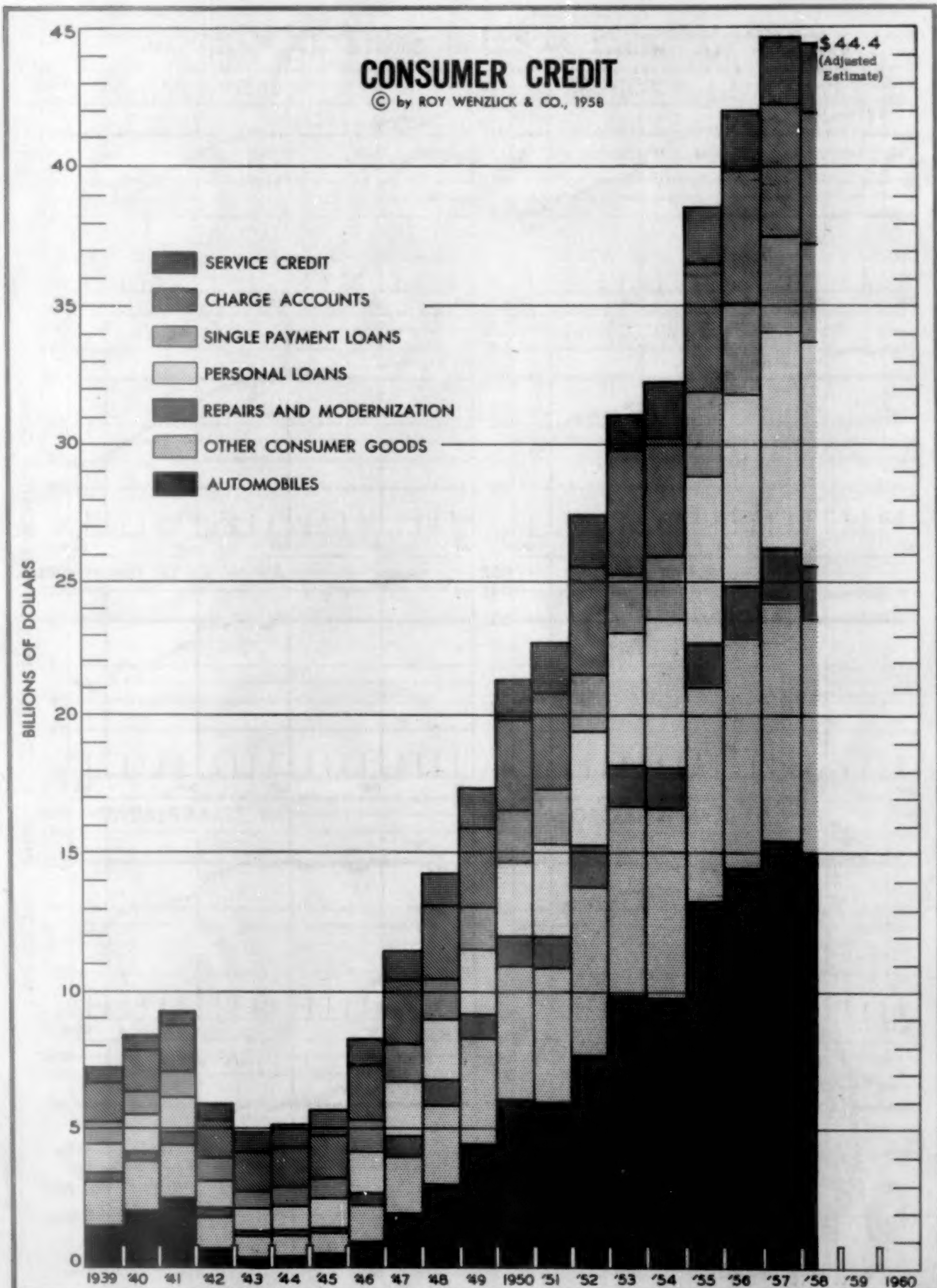
THE chart on the page opposite shows the relationship since 1939 between inventories and sales at the manufacturing level, the wholesale level, and the retail level. This relationship has been fairly constant since 1951, although manufacturers' inventories in relation to sales are considerably higher now than they have been during most of the past 16 years. This would also be true of wholesale inventories for about the same period.

Retail inventories are down slightly, but in fairly rough agreement with the volume of sales on today's market. In studying the retail chart it will be noticed that for a period of 8 years, from the end of 1942 until the beginning of 1951, inventories were low in relation to sales. This was the period of the war shortages. Since that time, however, retail inventories have snapped back to the 1939 relationship. This is not true of manufacturing and wholesale inventories. The lower inventories in these fields in relation to sales have now persisted for so many years that they undoubtedly represent a change in merchandising methods and better inventory controls.

"THE NURSEMAID STATE"

AN urban economy requires more money and bank deposits than does a rural economy. Prior to the Civil War, many large farms and plantations were practically self-sufficient units, manufacturing the things they needed from local raw materials, and raising their own food. As a larger percentage of the population of the United States drifted to metropolitan areas, the division of labor became more pronounced, and in order to exchange the products which were produced, more money and credit was needed. Even farms today have changed until the average farmer must make a large amount of cash and credit purchases in comparison with those of 100 years ago. Tractors do not have colts, nor can a farmer feed his tractor oats. He must purchase his farm
(cont. on page 342)


MONEY AND BANK DEPOSITS IN USE PER CAPITA
1860 TO THE PRESENT
© by ROY WENZLICK & CO., 1958
DOLLARS
CORRECTED FOR
COST OF LIVING INDEX
1935 - 1939=100
MONEY & BANK DEPOSITS
$ 1430.00
$ 692.00
1500
1000
900
800
700
600
500
400
300
200
150
100
90
80
70
60
50
40
30
20
1860
'65
'70
'75
'80
'85
'90
'95
1900
'05
'10
'15
'20
'25
'30
'35
'40
'45
'50
'55
'58



CONSUMER CREDIT
© by ROY WENZLICK & CO., 1958
$44.4
(Adjusted Estimate)
SERVICE CREDIT
CHARGE ACCOUNTS
SINGLE PAYMENT LOANS
PERSONAL LOANS
REPAIRS AND MODERNIZATION
OTHER CONSUMER GOODS
AUTOMOBILES
BILLIONS OF DOLLARS
0
5
10
15
20
25
30
35
40
45
1939
'40
'41
'42
'43
'44
'45
'46
'47
'48
'49
1950
'51
'52
'53
'54
'55
'56
'57
'58
'59
1960

"THE NURSEMAID STATE"

(cont. from page 339)

equipment and must purchase his oil and gas. He uses a large amount of electric current for which he must pay. He is gradually becoming a highly specialized producer who must depend on exchange for his continued existence.

The chart on page 340 shows in the blue line the increase in money and bank deposits per capita in the United States from 1860 to the present. At the beginning of the chart less than $22 per capita took care of the limited exchange customary at the time. This is in contrast with $1,430 per capita at the present time. Undoubtedly we will experience further increases in this figure during the period ahead.

A part of the increase which we have experienced has been due to the loss in purchasing power of our money. During the greater part of this period we have inflated year by year, and it now looks as if our inflationary policies will be continued into the indefinite future. So many people in the United States have become enamored of the "Nursemaid State," where the Government is expected to carry most of the responsibilities which the independent, thrifty individual formerly took care of for himself, that it is going to be almost impossible to stop the depreciation of the dollar. If those believers in a paternalistic Government were also willing to vote taxes sufficient to take care of the cost of the services which they demand, inflation could be avoided. This, however, is not the case, and as long as we continue to operate with unbalanced budgets, the purchasing power of our money will decline.

The chart on page 341 shows the growth of consumer credit from 1939 to the present. In 1943 all consumer credit in the United States ran less than $5 billion. It now runs better than $44 billion. Automobile credit alone in the United States at the present time is 3 times the height of total credit in 1943.

The slight drop in credit in 1958 over the level of 1957 is due to the effort to stop inflation.

If mortgage indebtedness could be added to consumer credit, this chart would look still more alarming. Since 1939 mortgage indebtedness has been increased by $123 billion. The tremendous increases in consumer credit, currency, and bank deposits cannot be stopped without a greater jolt to the economy than the American public apparently is willing to accept. It can, therefore, be assumed that inflation will continue, which means that over the long pull the purchase of real estate will conserve purchasing power far better than the purchase of bonds or other dollar investments.